



Request for City Council Committee Action From the Finance Department

Date: October 1, 2012
To: Ways and Means/Budget Committee
Referral to: Board of Estimate & Taxation

Subject: Bond Refunding Savings Results

Recommendation

Receive and file report on interest savings resulting from the sale of refunding bonds on September 25, 2012.

Previous Directives

July 30, 2012 Passage of a resolution (2012R-426) requesting the Board of Estimate & Taxation to issue general obligation refunding bonds for multiple bond series.

July 30, 2012 Passage of a resolution (2102R-427) authorizing the issuance of general obligation tax increment refunding bonds.

Prepared or Submitted by Michael Abeln, Director, Capital & Debt Mgmt, 673-3496

Approved by: Kevin Carpenter, Chief Financial Officer _____

Paul Aasen, City Coordinator _____

Presenters in Committee: Michael Abeln, Director, Capital & Debt Mgmt, 673-3496

Financial Impact (Check those that apply)

☒ No financial impact - or - Action is within current department budget.

(If checked, go directly to Background/Supporting Information)

☒ Other financial impact (Explain): Interest savings achieved on outstanding bonds

☒ Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (use any categories that apply)

☐ Not applicable

Background/Supporting Information

On September 25, 2012, the City took competitive bids and awarded four series of tax-exempt bonds to the successful low bidders providing the lowest interest cost to the City. In total, these bond sales will result in gross future interest savings of \$14,907,145.62. In

“today’s dollars” this would be a savings of \$13,090,865.05. Details of the four bond series are provided below:

The first series - \$37,500,000 of General Obligation Various Purpose Bonds, Series 2012 was sold to Citigroup Global Markets Inc. for \$38,479,962.60. The bonds had maturities from 2013 to 2024 and interest coupons of 1.00% and 2.00%. The City received a net premium of \$979,962.60 on this transaction which means the stated coupon rates were higher than the actual market rates. With the bond premium factored in, the true interest cost (TIC) for the City is .735% which is extremely low by historical standards. From this bond series, \$31,400,000 will be used for new capital projects and \$6,100,000 will be used on December 1st to refund the remaining bonds from two bond series originally issued in 2004. Bond premium received will be used to pay cost of issuance expenses and the remainder will be used to pay debt service on the bonds. The future interest savings realized on the refunded bonds will be \$907,171.24. The City received bids from 6 bidders on this series of bonds.

The second series - \$28,860,000 of General Obligation Library Referendum Refunding Bonds, Series 2012 was sold to Robert W. Baird & Co Inc. for \$29,146,506.92. The bonds had maturities from 2013 to 2025 and interest coupons ranging from 2.00% to 2.375%. The City received a net premium of \$286,506.92 on this transaction. With the bond premium factored in, the true interest cost (TIC) for the City is 1.986%. Proceeds of this series will be used on December 1st to refund the remaining \$29,100,000 balance of two series of library referendum bonds issued in 2002 and 2004 and to pay cost of issuance expenses. The future interest savings realized on this series will be \$6,910,246.36. The City received bids from 7 bidders on this series of bonds.

The third series - \$22,060,000 of General Obligation Parking Assessment Refunding Bonds, Series 2012 was sold to Citigroup Global Markets Inc. for \$22,080,158.55. The bonds had maturities from 2013 to 2026 and interest coupons ranging from 2.00% to 2.50%. The City received a net premium of \$20,158.55 on this transaction. With the bond premium factored in, the true interest cost (TIC) for the City is 2.160%. Proceeds of this series will be used on December 1st to refund the remaining balance of bonds issued in 2002 for the Vineland Place Parking Ramp attached to the Walker Art Center and to pay cost of issuance expenses. The future interest savings realized on this series will be \$5,924,143.72. The City received bids from 7 bidders on this series of bonds.

The fourth series - \$3,000,000 of General Obligation Tax Increment Refunding Bonds (Heritage Park), Series 2012 was sold to J.P. Morgan Securities LLC for \$3,002,116.80. The bonds had maturities from 2013 to 2026 and interest coupons ranging from 2.00% to 3.00%. The City received a net premium of \$2,116.80 on this transaction. With the bond premium factored in, the true interest cost (TIC) for the City is 2.359%. Proceeds of this series along with \$2,877,129 of funds on hand will be used on October 26th to refund the remaining balance of the Heritage Park bonds issued in 2003 and to pay cost of issuance expenses. The future interest savings realized on this series combined with savings from the prepayment of a portion of the bonds with funds on hand will be \$1,165,584.30. The City received bids from 2 bidders on this series of bonds.

The Executive Secretary of the Board of Estimate and Taxation was instrumental in working with the Finance & Property Services Department to realize these savings.